

Plan Highlights

North Dakota Public Employees Retirement System

Pension Plan Comparison

IMPORTANT TO NOTE:

Selecting a retirement plan is a one-time irrevocable election made during the first six months of eligible employment.

Compare some of the key features of the plans using this convenient question & answer format.
For more information on the NDPERS defined contribution plan, call Fidelity® at 1-800-343-0860.
For more information on the defined benefit plan, contact PERS at 1-800-803-7377.

Defined Benefit (current plan)

Defined Contribution (current plan)

Plan Definitions:

- ▶ In NDPERS defined benefit plan, an account is established on your behalf and contributions are made to the account by you and your employer. If vested, you are promised a benefit at retirement, which is based on your salary, the multiplier, and your years of service. The more years of service, the greater the benefit. You will receive the benefit determined under the plan regardless of the performance of the plan's investments.
- ▶ In NDPERS defined contribution plan, an account is established on your behalf and contributions are made to the account by you and your employer. The amount of your benefit will be affected by the investment options you select, the amount of time you have to invest, your vesting status, and the performance of the investment options you choose.

How is my retirement benefit determined?

- ▶ The amount of your benefit is based on years of service, age at which you retire, and your final average salary, which is your highest pay for 36 non-consecutive months of the last 120 worked.
- ▶ For both the main plan and the National Guard plan, the normal retirement calculation is 2.0% times years of service in the plan times your final average salary.
- ▶ Your retirement benefit is subject to the value of your account at retirement.
- ▶ The amount and duration of your retirement benefit depends on the contributions and investment earnings you experience based on the performance of your chosen investment options.

How much do I contribute to my pension?

- ▶ There is a mandatory pretax contribution of 4.0% of your salary. This is picked up by your employer under article 414(h) of the Internal Revenue Code.
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How much does the State of North Dakota contribute to my Pension Plan?

- ▶ The employer contribution is set by state statute and is currently 4.12% of your salary.
- ▶ The employer contribution for the National Guard Plan is 8.33% of your salary and is set by the PERS Board. This contribution may vary.
- ▶ The employer contribution is set by state statute and is currently 4.12% of your salary.
- ▶ The employer contribution for the National Guard is set by the state statute and is currently 4.12%.

Defined Benefit (current plan)**Defined Contribution (current plan)****How are my contributions invested?**

- ▶ All contributions are held in trust and invested pursuant to an asset allocation strategy set by the NDPERS Board.
 - ▶ The PERS Board determines investment policies. The PERS Board also develops an asset allocation for the retirement funds which the State Investment Board must approve. The State Investment Board retains and monitors investment managers to implement investment policies and asset allocation.
- ▶ Contributions are allocated to individual accounts and invested pursuant to the employee's chosen asset allocation mix.
 - ▶ You select where all contributions will be invested from the investment options available through your plan.
 - ▶ Fidelity will provide you with the tools you may need to help you make your investment selections.
 - ▶ You can change your investment selections at any time, even if you terminate or retire.

When do I become vested?

- ▶ After three years of service, your pension benefit is vested.
 - ▶ You are immediately 100% vested in the employee contributions.
 - ▶ You gradually vest in the employer contributions in your pension plan account based on your participation in the Portability Enhancement Provision (PEP).
- ▶ You gradually vest in all employer contributions in your pension plan account: 50% after two years of service, 75% after three years of service, 100% after four years of service.
 - ▶ You are immediately 100% vested in the employee contributions.

Are there any loan or withdrawal privileges?

- ▶ Loans are not available.
- ▶ Loans are not available.

When can I take a distribution?

- ▶ At termination and before drawing a pension, you may take out the employee contribution plus interest and any employer contribution plus interest that you are vested in as a result of PEP. An early withdrawal penalty may apply if you take your money out before age 59½ without rolling it into another employer's eligible plan or IRA unless you retire or become disabled.
 - ▶ You can also take an earlier retirement benefit with a reduced pension at age 55 with three years of service. National Guard employees can take earlier retirement at age 50 with three years of service.
 - ▶ Normal retirement age is 65, or the Rule of 85, whichever is earlier. You meet the Rule of 85 requirements if the combination of your age and years of service equals or exceeds 85. For National Guard employees, the normal retirement age is 55 with three consecutive years of service.
 - ▶ Upon being deemed disabled under the plan rules, you are eligible for a monthly disability retirement benefit.
- ▶ You may take your money at any time upon separation from the State. An early withdrawal penalty may apply if you take your money before age 59½ without directly rolling it into another employer's eligible plan or IRA unless you retire or become disabled.
 - ▶ Your vested assets are portable whether you retire or change jobs.
 - ▶ Upon being deemed disabled under the plan rules, you are eligible for a distribution.

What is the plan fee?

- ▶ The plan administrative fee is paid from the trust fund and is not assessed from employee accounts.
- ▶ Employee accounts will be assessed \$8.00 per year plus 0.06% of the value of the account. This fee may be changed from year to year.

Defined Benefit (current plan)**Defined Contribution (current plan)****What are my distribution options at retirement?**

- ▶ Guaranteed, fixed, monthly income for your life.
- ▶ Survivorship options are available to provide continued payments to your beneficiary after your death.
- ▶ Lump sum refund of your contributions plus any interest and vested employer contributions (PEP) plus interest.
- ▶ Roll your balance into another employer's eligible plan or IRA.

- ▶ Periodic payments.
- ▶ Purchase a private lifetime annuity.
- ▶ Lump sum retirement benefits.
- ▶ Roll your balance into another employer's eligible plan or IRA.
- ▶ Similar distribution options previously outlined above for your beneficiary(ies).

What distribution options are available to my spouse if I die before retirement?

- ▶ If you are not vested, your spouse will receive your account value including all employee contributions and vested employer contributions (PEP) plus interest (less taxes).
- ▶ If you are vested, your spouse may select: 50% of your accrued monthly benefit payable to spouse for life; 100% of your accrued monthly benefit payable for five years, or lump sum of account including all employee contributions and vested employer contributions (PEP) plus interest (less taxes).

- ▶ Your spouse will receive the full market value of the vested portion of your account (less taxes).

What additional benefits do I receive as a retiree?

- ▶ Retiree health credit, health, dental, and life insurance are available to retirees of the plan if they meet conditions associated with each type of coverage. Individuals who receive a lump sum distribution are not eligible for coverage.

- ▶ Retiree health credit, health, dental, and life insurance are available to retirees of the plan if they meet conditions associated with each type of coverage. Individuals who transfer out of the plan or purchase a private annuity are not eligible for coverage.

Where can I go for more information on these plan features?

- ▶ Contact NDPERS at 1-800-803-7377.

- ▶ Call NDPERS at 1-800-803-7377 or the Fidelity Retirement Benefits Line at 1-800-343-0860 to speak to a Fidelity Retirement Specialist Monday–Friday from 7:00 A.M.–11:00 P.M. CT.

What distribution options are available to a non-spouse beneficiary?

- ▶ If benefits have not commenced, whether or not you are vested, your beneficiary will receive your vested account value, including all employee contributions and vested employer contributions (PEP) plus interest (less taxes).
- ▶ If benefits have commenced, any payment your beneficiary will receive is subject to the option you select at retirement.

- ▶ Your beneficiary will receive the full market value (less taxes) of the vested portion of your account on demand.

What disability retirement benefits are available?

- ▶ After six months of service a member is eligible for a monthly disability retirement benefit, which is 25% of member's final average salary for as long as the disability lasts. Benefits are subject to income tax upon distribution.

- ▶ A disabled employee is eligible to draw from the account until the funds are gone. Benefits are subject to income taxes upon distribution.

Compare: Defined Benefit vs. Defined Contribution

The following comparison summarizes the advantages and disadvantages of the North Dakota Public Employees Retirement System’s Defined Benefit Pension Plan and the North Dakota Public Employees Retirement System’s Defined Contribution Pension Plan. This general summary is provided as a tool to assist you in determining which plan may be most appropriate for you.

	Advantages	Disadvantages
Defined Benefit	<ul style="list-style-type: none">▶ Monthly disability payments are available and will continue through your period of disability.▶ Investment risk is assumed by the State of North Dakota.▶ Benefits are predictable.▶ Benefits provided are based on your calculated pre-retirement final average salary.▶ Rewards service.▶ Members cannot outlive benefits.▶ Member account balance is portable.▶ Benefits increase with each year worked.▶ Post-retirement adjustments may be provided periodically by legislation.	<ul style="list-style-type: none">▶ Individuals cannot self-direct investments.▶ Benefits are reduced if employee retires early (prior to age 65 or the Rule of 85).▶ Post-retirement adjustments are not automatic.▶ Benefit enhancements are not automatic.
Defined Contribution	<ul style="list-style-type: none">▶ Employee assumes all investment risk—positive performance may result in additional gains.▶ Vested account balances are portable.▶ Portability features may provide potential for more retirement income for non-career employees.▶ Employee has ability to manage retirement income.▶ Employee has flexibility to adjust allocation.▶ Provides the potential for capital accumulation.▶ Employee controls investment option decisions.	<ul style="list-style-type: none">▶ Employee assumes all investment risk—poor investment performance may result in loss of principal.▶ Benefits are not related to pre-retirement income (to maintain comparable standard of living).▶ Employee assumes responsibility for retirement income cash flow and inflation protection.▶ Must purchase a private annuity to ensure guaranteed lifetime monthly retirement income if desired.*

**Guarantees are subject to the claims-paying ability of the issuing insurance company.*

The mutual funds available through the plan reserve the right to withdraw the exchange privilege (e.g., in cases where excessive trading or conversion out of an investment option can undermine the objective of the fund).

Unless otherwise noted, transaction requests confirmed after the close of the market, normally 3:00 P.M. CT or on weekends or holidays, will receive the next available closing prices.

The taxable portion of a distribution from a qualified plan is taxed as ordinary income in the year withdrawn; if you are under age 59½ at the time of the distribution, a 10% early withdrawal penalty may apply. If a distribution is eligible to be rolled over, but is not directly rolled over to an employer’s eligible plan or an IRA, 20% mandatory withholding of federal income tax applies. Be sure you understand the tax consequences of any distribution before you initiate one. You may want to consult your tax advisor about your situation.

This document provides only a summary of the main features of the PERS Pension Plans. The plan documents will govern in the event of any discrepancies.

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Fidelity Management & Research Company manages Fidelity mutual funds. Non-Fidelity funds are managed by outside fund companies.

For more complete information about any of the mutual funds available through the plan, including fees and expenses, call or write Fidelity for free prospectuses. Read them carefully before you invest or send money.